

PHILADELPHIA & READING.

THE RECEIVERS EXPLAIN WHY THE PLAN WAS ABANDONED.

Some of the New York Bondholders Were Waiting to Grant Further Delay—They Think that an Assessment on the Income Bonds and Stock May Be Necessary—Mr. Rice Argues Against it Support.

PHILADELPHIA, May 3.—The following statement was issued this evening by the receivers of the Philadelphia and Reading Railroad Company:

PHILADELPHIA, May 3, 1894.
To the stockholders and bondholders of the Philadelphia and Reading Railroad Company:

The limitation to the holders of the general mortgage bonds of the Philadelphia and Reading Railroad Company from two committees, composed of gentlemen of the highest character and intelligence, to deposit their bonds with a view to the foreclosure of the general mortgage, seems to render it necessary that the receivers and management should explain the efforts they were making to secure an early readjustment of the affairs of the company and the considerations which induced their action.

The record of what has been accomplished during the fifteen months of the receivership, without the contribution of a dollar from the bondholders or stockholders of the company, or other assistance than through the forbearance shown by the general mortgage bondholders, has been sufficiently told in the reports recently published. Eight million dollars of fresh money have been raised, and the floating debt so far funded that an equal amount would take up the balance still remaining, together with the receivers' certificates. As explained, however, in the supplemental report of April 10, to provide for this amount would require the use of all the available collaterals owned by the company, leaving no other resource to pay the general mortgage interest and the equipment notes than the net earnings. The equipment, upon which a little upward of five millions of dollars remain to be paid during the next five years, cost upward of eight millions of dollars, and the business of the railroad could not be profitably continued if it were withdrawn. To the extent that it has been paid for, it has become a part of the security of the general mortgage, and it is manifestly, therefore, to the interest of the bondholders that this mortgage, as of all other creditors, should be preserved.

It had come to be understood that the general mortgage bondholders were not willing to give the company the option to cause their coupons to be purchased for the period of five years, at half price, and that the plan of partial reorganization and the receivers asked, therefore, for a conference with the representatives of Messrs. J. S. Morgan & Co., Brown, N. Y., Drexel, Morgan & Co., Brown, Broome & Co., and Baring & Magon of New York, and Messrs. Drexel, A. Co., and Brown & Broome, of Philadelphia, to obtain their advice and cooperation. Meetings were held in the city of New York with the representatives of these houses, and after several discussions it was agreed that a plan under which the holders of the general mortgage bonds were to be asked to give the company the option to cause their coupons to be purchased for two years, beginning from July 1, 1893, to Jan. 1, 1895, inclusive, to be made the last payment on the principal and interest at the rate of six per cent. per annum and redeemable out of the surplus net earnings of any year after the payment of the general mortgage.

If the plan could have been carried out in other respects the general mortgage bondholders would have received an immediate payment of their coupons, and the interest set aside and of those still to mature as far as due, while the total amount of a little less than \$1,000,000, to be secured by the present issue of collateral trust bonds of \$10,000,000, to be secured by the present collateral trust bonds and other property, which it is believed will be available for the purpose of disposing of the issue at 100 per cent. of their par value, thus realizing sufficient to take up the principal and interest of their receiver's certificates, and the equipment note.

This plan met with the general approval of the representatives of the houses named, and it was agreed that the support and co-operation of the creditors and friends of the company in London before it could be submitted to them, however, it was learned that the bondholders of the general mortgage bonds in the city of New York were disposed to insist that presents for the plan should be instantly withdrawn, as should receive immediate payment of their interest; it was hoped that a full explanation of the objections to the plan would be given to them for their purpose. A meeting was accordingly arranged for, but after a full conference they adhered to their views, and the following day gave notice of their withdrawal.

In pursuance of this determination the committee of which Mr. P. O'leary, President of the Central Trust Company of New York, is chairman, has been formed, and the deposit of bonds has been published in the daily papers. This was anticipated by one of the members of the mercantile organization of the New York City, Chairman. In view of this action it would be idle for the receivers and management to insist that the plan to readjust the affairs of the company, so long as the conditions of any plan which they have been able to invent involved the right to fund or postpone the payment of the principal and interest for at least two years. At the same time, as the subject has been under constant consideration and discussion by the representatives of the company during the last year, it is due to the creditors and stockholders of the company that the results of such deliberation should be briefly stated.

It cannot be disputed, of course, that the holder of any bond in default has the right to refuse to accept any plan of reorganization, and ordinarily the holders of the junior bonds and stock shares should provide for the payment of the interest upon prior incumbrances if they ask for indulgence, but the present case is a peculiar one.

The insolvency of the Philadelphia and Reading Railroad Company cannot be attributed to a plan to force a fixed rate of interest as they mature. Judging by the past, the net earnings of any one year will always suffice to pay the general mortgage interest according to the terms of the contract, and normal additions to equipment and other items. It is not the case, therefore, of a company that it will not be able to meet its obligations to the public in order to reduce the fixed charges on the bonds, which follow the general mortgage, are only entitled to interest when earned. It must be admitted, however, that the company can pay the general mortgage interest is not due to a deficiency, but to a diversion of the net earnings to other objects—sets, however, which are not less than the real value of the general mortgage bonds.

For these and other reasons, and especially in view of the present general depression in value of securities, it was thought justifiable, as well as expedient to appeal to the general mortgage bondholders to grant the relief indicated, but it is not to be expected that such indulgence will be given. The most serious consequence to the holders of the income bonds and shares, however, will be the imposition of an assessment for the larger part of which the company can give a sum equivalent to that which the deposit of the bonds in trust in the safety through a foreclosure sale need not now be regarded as probable. But it should be distinctly understood that the failure of the efficient and successful conduct of the business of the two companies, that sufficient funds should be ultimately supplied, in some way, to meet the interest and principal payment, as well as to pay the general mortgage interest. In the securing of this amount the receivers and management will unite with any body of men who are willing to sacrifice their ability and will cheerfully give the benefit of their assistance in any effort to

A CHANGE OF BASE.

TO THE EDITOR OF THE SUN.—The way things I came across a nice old gentleman, who was most amiable of hypochondriacs. He seemed to be carrying a complete drug store about with him, and explained to me that this bottle was for his headache and that one was for the stomach, a third was to keep the bowels regular, and a fourth was for his sciatic nerve. I wanted to ask him if he had a freight car to carry all these remedies.

—“I quit doing. Here's all I carry.” He exhibited a little waist-pocket vest of “Egmont Tailor” and added, “That does the whole business; hence my regular clean headed, and right up to the mark. The first tailor makes me feel better, and now I'm in the second. Thirty-six of em in a box, fifty cents each.”

I happen to know that these tailors are the prescription of a regular physician and perfectly harmless, mild, and effective in all irregularities of the stomach, liver, and bowels, and I also know that if you keep these right everything else will be right, so I agreed with him that he had made a sensible choice. Less tiring and more comfort, to say nothing of the freight bill. H. E.—ed.

make the burden of providing for it as light as possible.

J. S. HARRIS,
EDWARD M. FULTON,
JOHN LOWELL WELSH,
J. S. HARRIS, President.

The committee, composed of Richard B. Harshaw, Henry T. Carter, and Jacob Scholle, which represents the interests of Isaac L. Rice and his friends, also issued another appeal to the bondholders, in which they state: “We append our signatures to their agreement, and say they are preparing a circular to send to security holders. They express the belief that the time is ripe, and the measures unjust and unnecessary. Notice of the intention to take measures to assert the rights of the bondholders, will be given by Mr. Morgan & Co. by the Gleat Company letter to the bondholders on May 3, in the following letter from the counsel of the committee:

NEW YORK, May 3, 1894.—The Reading Railroad Company, the bondholders who have been considering the affairs of that company with you, have given us their consent, and we thank you for the attention which you have given to them, and for the interest which you have taken in the affairs of the company. We trust that you will be satisfied with the manner in which we have conducted the business of the company, and that you will be willing to let us proceed with the work which we have in hand.

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